

Coy Barton, CPA
Quality Management

<p>The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces the following:</p> <p>a. The firm's role in serving the public interest by consistently performing quality engagements</p> <p>b. The importance of professional ethics, values, and attitudes</p> <p>c. The responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM and their expected behavior</p> <p>d. The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities</p>							
GOV QO-1							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
GOV QO-1	GOV QRI-1	The firm does not demonstrate a commitment to quality through the culture that exists throughout the firm.			Yes	GOV QRe-5.01	The firm promotes an internal culture that recognizes quality is essential through: a) Regular meetings by the owner with staff to talk about importance of quality and that it is not sacrifice to meet the need to achieve profitability, b) the owner promotes the importance of quality, c) the owner requires CPE to promote quality and will review annually, d) the owner considers quality in performances, appraisals, and compensation.
GOV QO-1	GOV QRI-2	The firm does not acknowledge its role in serving the public interest and does not strive to perform quality engagements.			Yes	GOV QRe-9.01	Performance evaluation and advancement systems are designed and implemented that reward staff involved in the accounting and auditing practice for the quality of their work and their compliance with professional standards. This will be done annually by the owner.
GOV QO-1	GOV QRI-3	The firm does not recognize or reinforce the importance of professional ethics, values, and attitudes.			Yes	GOV QRe-9.04	Performance evaluation and advancement systems are designed and implemented that reward staff for their professional values and attitudes. This will be done annually by the owner.
GOV QO-1	GOV QRI-4	The firm does not recognize or reinforce the responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM and their expected behavior.			Yes	GOV QRe-9.01	Performance evaluation and advancement systems are designed and implemented that reward staff involved in the accounting and auditing practice for the quality of their work and their compliance with professional standards. This will be done annually by the owner.
GOV QO-1	GOV QRI-5	The firm does not recognize or reinforce the importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities.			Yes	GOV QRe-6.04	The firm's strategic decision-making process is aligned with the firm's quality objectives and approved by leadership with the ultimate responsibility for the firm's system of quality management. The owner will reinforce in meeting held regularly.
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GOV QO-2 Leadership is responsible and accountable for quality							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
GOV QO-2	GOV QRI-11	Leadership is not responsible and accountable for quality.			Yes	GOV QRe-1	Policy: The firm assigns ultimate responsibility and accountability for the system of quality management to the owner. [QM sec. 10.21]
GOV QO-2	GOV QRI-15	Leadership responsibilities and accountability for quality are not clearly defined and assigned.			Yes	GOV QRe-2	Policy: The firm assigns operational responsibility for the system of quality management to the owner who has appropriate influence and authority within the firm. [QM sec. 10.21b]
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GOV QO-3 Leadership demonstrates a commitment to quality through its actions and behaviors							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
GOV QO-3	GOV QRI-18	Leadership does not demonstrate a commitment to quality through their actions and behaviors (e.g., establishing the tone at the top through their actions and behaviors, clear, consistent and frequent actions and communications at all levels within the firm)			Yes	GOV QRe-5.01	The firm promotes an internal culture that recognizes quality is essential the owner promotes the importance of quality with regular meetings with staff to talk about importance of quality; and not to sacrifice quality to meet the need to achieve profitability; requires CPE to promote quality, and will consider quality in performance of appraisals and compensation.
GOV QO-3	GOV QRI-23	Professionals in leadership positions prioritize economic gain over quality through their actions and behaviors.			Yes	GOV QRe-6	Policy: The firm does not allow financial and operational priorities to override the quality of the work performed, and assigns management responsibilities accordingly. This will be done by the owner.
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GOV QO-4 The organizational structure and assignment of roles, responsibilities, and authority is appropriate to enable the design, implementation, and operation of the firm's SOQM							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
GOV QO-4	GOV QRI-25	The organizational structure and assignment of roles, responsibilities, and authority is not appropriate and does not enable the design, implementation, and operation of the firm's SOQM.			Yes	GOV QRe-3	Policy: The firm assigns responsibility for specific aspects of the system of quality management to the owner who has the appropriate influence and authority within the firm, [QM sec. 21.ci-ii] including compliance with independence requirements; and the monitoring and remediation process.
GOV QO-4	GOV QRI-30	Persons assigned roles relevant to the system of quality management lack the skills, knowledge, and experience to undertake those roles.			Yes	GOV QRe-7	Policy: The owner has sufficient and appropriate experience, authority, and ability is assigned responsibility for developing, implementing, and operating the firm's system of quality management. [QM sec. 10.22]
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GOV QO-5 Resource needs, including financial resources, are planned for, and resources are obtained, allocated, or assigned in a manner that is consistent with the firm's commitment to quality							
Quality Objective #	Quality Risk #	Quality Risks: Governance and leadership	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
GOV QO-5	GOV QRI-33	Resource needs, including financial resources, are not obtained by, allocated, or assigned to the appropriate parties in a manner that facilitates the firm's commitment to quality.			Yes	GOV QRe-8	Policy: The firm devotes sufficient and appropriate resources for the development, communication, and support of its quality management policies and procedures. The owner will have the employees to review and sign the Quality Management Plan at least annually.
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Green - Low
Yellow- Medium
Red - Major

<p>The firm and its personnel</p> <p>a. understand the relevant ethical requirements to which the firm and the firm's engagements are subject, and (Ref: par. A23)</p> <p>b. fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.</p>							
RER QO-1							
Quality Objective #	Quality Risk #	Quality Risks: Relevant ethical requirements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RER QO-1	RER QRI-1	The firm and its personnel do not understand the relevant ethical requirements to which the firm and the firm's engagements are subject			Yes	RER QRe-1.01	The owner is responsible for staying informed on relevant ethical requirements; providing guidance; answering questions; monitoring compliance; and resolving matters with respect to independence, integrity, and objectivity. [specified response par 35a]
RER QO-1	RER QRI-2	The firm and its personnel fail to fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.			Yes	RER QRe-6	Policy: The firm obtains written confirmation, upon hire and at least annually, of compliance with its policies and procedures regarding independence from all personnel required to be independent by relevant requirements. [required response see par. 35b]
RER QO-1	RER QRI-6	The firm and its personnel do not identify, communicate, evaluate, or report ethical breaches.			Yes	RER QRe-4	Policy: Firm personnel notify the owner of breaches of the relevant ethical requirements, including independence requirements, and the owner takes appropriate actions to resolve such situations. [specified response par. 35 a ii]
RER QO-1	RER QRI-4	Consultation and evaluation of identified independence matters results in an incorrect conclusion that impairs independence.			Yes	RER QRe-4.05	The firm promptly communicates identified breaches of these policies and procedures, and the required corrective actions, to (a) the owner who needs to address the breach and (b) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action. [specified response par. 35 a ii]
RER QO-1	RER QRI-6	The firm and its personnel do not identify, communicate, evaluate, or report ethical breaches.			Yes	RER QRe-4.06	The owner and other relevant personnel confirm to the owner that the required corrective actions have been taken [specified response par. 35 a ii]
RER QO-1	RER QRI-3	The firm does not receive, investigate and resolve complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in accordance with the firm's system of quality management. (Specified Response 35c)			Yes	RER QRe-9	Policy – The firm has procedures for receiving complaints (report to the owner) about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or noncompliance with the firm's policies and procedures; investigates the complaints and resolves them. [specified response par 35 c] This will be done by the owner.
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<p>Others, including individuals in the firm, or service providers, who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject</p> <p>i. understand the relevant ethical requirements that apply to them, and (Ref: par. A23 and A67)</p> <p>ii. fulfill their responsibilities in relation to the relevant ethical requirements that apply to them. (Ref: par. A68)</p>							
RER QO-2							
Quality Objective #	Quality Risk #	Quality Risks: Relevant ethical requirements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RER QO-2	RER QRI-11	Others who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject do not understand the relevant ethical requirements that apply to them			Yes	RER QRe-7	The owner does not hire other firms to perform audit services.
RER QO-2	RER QRI-12	Others who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject do not fulfill their responsibilities in relation to the relevant ethical requirements that apply to them			Yes	RER QRe-7.01	Written confirmations are obtained regarding the other firm's independence with respect to audit engagements and either written or oral confirmations are obtained for review or attestation engagements. Oral confirmations are documented. The owner does not hire other firms to perform audit services.
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Green - Low
Yellow - Medium
Red - Major

<p>EAC QO-1</p> <p>Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on the following</p> <p>i. information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments (Ref: par. A69-A74)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Acceptance and continuance of client relationships and specific engagements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EAC QO-1	EAC QRI-1	The firm does not obtain information about the nature and circumstances of the engagement and the client (including management, and, when appropriate, those charged with governance) that is sufficient to support judgments about client acceptance or continuance.			Yes	EAC QRe-3	Policy: The owner will be notified when information that becomes known subsequent to accepting or continuing a client relationship or specific engagement that may have affected the owner's decision to accept or continue a client relationship or specific engagement as follows. [specified response par. 35di]
EAC QO-1	EAC QRI-2	The firm accepts or continues a client relationship or specific engagement when the firm does not have the ability to perform the engagement in accordance with professional standards and applicable legal and regulatory			Yes	EAC QRe-2.05	The firm evaluates whether the firm has, or can reasonably expect to obtain, the competency and capability necessary to perform the engagement, including relevant regulatory or reporting requirements. The owner will review this process.
<p>EAC QO-2</p> <p>Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on the following</p> <p>ii. the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements (Ref: par. A75-A76)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Acceptance and continuance of client relationships and specific engagements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EAC QO-2	EAC QRI-32	The owner accepts or continues an engagement that does not meet the firm's engagement acceptance or continuation criteria or is otherwise prohibited by the firm.			Yes	EAC QRe-3.01	When the firm becomes aware of information that would have caused the firm to decline the engagement if the information had been available earlier, the owner considers the following. [QM par. 35di] -undertaking consultation within the firm or legal counsel -the professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to continue the engagement or report to regulatory authorities, -discussing with the appropriate level of client's management and those charged with governance, -whether to withdraw from the engagement or from the client relationship
EAC QO-2	EAC QRI-33	The firm does not recognize when the firm is obligated by law or regulation to accept or continue a client relationship or specific engagement, nor understand the appropriate procedures to follow in such circumstances.			Yes	EAC QRe-5.01	The owner considers whether there is a professional, regulatory, or legal requirement for the firm to remain in place. [QM par. 35dii]
<p>EAC QO-3</p> <p>The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.</p>							
Quality Objective #	Quality Risk #	Quality Risks: Acceptance and continuance of client relationships and specific engagements	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EAC QO-3	EAC QRI-32	The financial and operational priorities of the firm lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.			Yes	EAC QRe-1.05	The owner evaluates the risk of providing services to significant clients or to other clients for which the firm's objectivity or the appearance of independence may be impaired. The owner takes appropriate safeguards if necessary or if safeguards cannot reduce the threat to objectivity and independence to an acceptably low level.
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Green - Low
Yellow - Medium
Red - Major

<p>Engagement teams understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement. (Ref: par. A79)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-1	EP QRI-1	Engagement teams do not understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.			Yes	EP QRe-2.02	The owner trains personnel on the use of practice aids (audit and accounting manual, standardized forms, checklists, templates, practice aids, tools, questionnaires, and the like).
<p>The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members. (Ref: par. A80-A81)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-2	EP QRI-30	The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is not appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is not directed, supervised, and reviewed by more experienced engagement team members.			Yes	EP QRe-4.01	The owner, or someone appointed by him, supervises the review of other members of the engagement team.
<p>Engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, maintain professional skepticism. (Ref: par. A82)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-3	EP QRI-50	Engagement teams do not exercise appropriate professional judgment and, when applicable to the type of engagement, do not maintain professional skepticism			Yes	EP QRe-6	Policy: The owner sets the tone that addresses the importance and understanding of exercising professional judgment and professional skepticism.
<p>Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented. (Ref: par. A83-A85)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-4	EP QRI-55	Consultation on difficult or contentious matters is not undertaken or if it is, the conclusions agreed are not implemented.			Yes	EP QRe-11.03	The firm requires sufficiently experienced engagement team members to identify matters for consultation or consideration during the engagement. This will be decided by the owner.
<p>Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management are brought to the attention of the firm and resolved. (Ref: par. A86)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-5	EP QRI-67	Differences of opinion within the engagement team, or individuals performing activities within the firm's system of quality management, are not brought to the attention of the firm or if they are, they are not resolved.			Yes	EP QRe-12.01	The firm follows procedures for consultation in resolving differences within an engagement team. If further action is necessary, the owner will resolve the differences.
<p>Engagement documentation is assembled on a timely basis after the date of the engagement report, and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. (Ref: par. A87-A89)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Engagement performance	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
EP QO-6	EP QRI-73	Engagement documentation is not assembled on a timely basis after the date of the engagement report or is not appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.			Yes	EP QRe-13.01	Final engagement files are assembled by the earlier of time limits required by professional standards and applicable regulatory requirements, if any, or 60 days from the report release date.

Green - Low
Yellow - Medium
Red- Major

<p>Personnel are hired, developed, and retained and have the competence and capabilities to (Ref: par. A92-A94)</p> <p>i. consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs, or</p> <p>ii. perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.</p>							
RES QO-1	Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response (policy or procedure)
RES QO-1	RES QRI-1		Personnel do not have, or cannot gain, the competence and capabilities to consistently perform quality engagements (which includes not only technical competence but professional ethics, values, and attitudes.			Yes	RES QRe-1 Policy: The owner determines sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements and enable the firm to issue reports that are appropriate in the circumstances.
RES QO-1	RES QRI-2		Personnel do not have the competence and capabilities to perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.			Yes	RES QRe-1 Policy: The owner has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements and enable the firm to issue reports that are appropriate in the circumstances.
<p>Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion, and other incentives. (Ref: par. A95-A97)</p>							
RES QO-2	Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response (policy or procedure)
RES QO-2	RES QRI-8		Personnel do not demonstrate a commitment to quality through their actions and behaviors; do not develop or do not maintain the appropriate competence to perform their roles and are not held accountable or recognized through timely evaluations, compensation, promotion, and other incentives.			Yes	RES QRe-5.01 The owner evaluates personal characteristics such as integrity, competence, and motivation of personnel on an ongoing basis.
<p>Individuals are obtained from external sources when the firm does not have sufficient or appropriate personnel to enable the operation of firm's system of quality management or performance of engagements. (Ref: par. A98)</p>							
RES QO-3	Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response (policy or procedure)
RES QO-3	RES QRI-30		Individuals are not obtained from external sources (that is, the network, another network firm, or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of the firm's system of quality management or performance of engagements.			Yes	RES QRe-2.04 The owner identifies sources of employment candidates or external human resources: such as universities or Panhandle Chapter of CPA's.
<p>Engagement team members, including an engagement partner, who have appropriate competence and capabilities to consistently perform quality engagements, including being given sufficient time, are assigned to each engagement. (Ref: par. A92-A93 and A99-A101)</p>							
RES QO-4	Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response (policy or procedure)
RES QO-4	RES QRI-37		Engagement team members, including an engagement partner, are assigned to engagements when they do not have appropriate competence and capabilities to consistently perform quality engagements, including being given sufficient time.			Yes	RES QRe-4 Policy: The owner determines capabilities and competencies required for an engagement.
<p>Individuals who have appropriate competence and capabilities, including sufficient time, to perform such activities are assigned to perform activities within the system of quality management.</p>							
RES QO-5	Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response (policy or procedure)
RES QO-5	RES QRI-45		Individuals who do not have appropriate competence and capabilities, including sufficient time, are assigned to perform activities within the system of quality management.			Yes	RES QRe-7 Policy: The owner, or someone appointed by him, assigns appropriate personnel with the necessary competence and capabilities to perform activities within the system of quality management or engagements in accordance with professional standards and applicable legal and regulatory requirements and enable the firm to issue reports that are appropriate in the circumstances.
<p>Appropriate technological resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the performance of engagements. (Ref: par. A102-A106 and A109)</p>							
RES QO-6	Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response (policy or procedure)
RES QO-6	RES QRI-50		Technological resources to enable the operation of the firm's system of quality management and the performance of engagements that are obtained or developed are not appropriate, are not implemented, are not maintained, are not used, or are used inappropriately.			Yes	RES QRe-10.01 Before obtaining technological resources, the owner conducts research into its usability in the engagements it performs.
<p>Appropriate intellectual resources are obtained or developed, implemented, maintained, and used to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable. (Ref: par. A107-A109)</p>							
RES QO-7	Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response (policy or procedure)

Green - Low
Yellow - Medium
Red - Major

RES QO-7	RES QRi-67	Intellectual resources to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, are obtained or developed inappropriately, are not implemented, are not maintained, are not used, or are used inappropriately, and such intellectual resources are not consistent with professional standards and applicable legal and regulatory requirements.			Yes	RES QRe-12	Policy: The owner uses quality management materials (QMM) (for example, an audit and accounting manual, standardized forms, checklists, templates, practice aids, tools, questionnaires, and the like) to assist with the operation of the firm's system of quality management and the consistent performance of quality engagements.
RES QO-8	Human, technological, or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in performing engagements, taking into account the quality objectives in paragraph 33d–g. (Ref: par. A110–A115)						
Quality Objective #	Quality Risk #	Quality Risks: Resources	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
RES QO-8	RES QRi-79	Human, technological, or intellectual resources from service providers are not appropriate for use in the firm's system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 33d, e, f, and g of QM section 10, <i>A Firm's System of Quality Management</i> .			Yes	RES QRe-13.01	The owner evaluates the use of resources received from service providers to meet its quality objectives and its appropriateness for its system of quality management.
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Green - Low
Yellow - Medium
Red - Major

<p>The information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources.</p>							
Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
I&C QO-1	I&C QRI-1	The information system does not identify, capture, process or maintain relevant and reliable information that supports the system of quality management, whether from internal or external sources.			Yes	I&C QRe-2.02	The owner, or someone appointed by him, periodically reviews the information provided through the firm's website for accuracy, completeness, and balance.
I&C QO-1	I&C QRI-23	Lack of a proper chain of command results in inconsistent messaging of firm policies and methodology.			Yes	I&C QRe-3.01	The owner who is charged with operational, compliance with independence requirements, and monitoring and remediation functions over the firm's system of quality management have a direct line of communication to the audit staff. [QM 10.23]
<p>The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another.</p>							
Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
I&C QO-2	I&C QRI-17	The culture of the firm does not recognize nor reinforce the responsibility of personnel to exchange information with the firm and with one another.			Yes	I&C QRe-4.04	Leadership promotes a culture where, although there may be customary channels of communication, collaboration and open communication are encouraged. The owner will be the leadership.
<p>Relevant and reliable information is exchanged throughout the firm and with engagement teams, including the following: (Ref: par. A120)</p> <p>i. Information is communicated to personnel and engagement teams, and the nature, timing, and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements.</p> <p>ii. Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.</p>							
Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
I&C QO-3	I&C QRI-30	Unreliable information is exchanged throughout the firm and with engagement teams.			Yes	I&C QRe-4	Policy: The firm has established communication channels to facilitate communication across the firm. (For example, weekly meetings).
I&C QO-3	I&C QRI-31	Relevant and reliable information is not exchanged throughout the firm and with engagement teams. The nature, timing and extent of the information is not sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements.			Yes	I&C QRe-4.03	When leadership becomes aware of information that impacts the engagement team, they alert the owner to communicate the information to the rest of the engagement team.
I&C QO-3	I&C QRI-32	Personnel and engagement teams do not communicate information to the firm when performing activities within the system of quality management or engagements.			Yes	I&C QRe-4.02	The owner communicates information about the operation of firm's responses (for example, concerns about the firm's process for assigning personnel to engagements).
<p>Relevant and reliable information is communicated to external parties, including the following:</p> <p>i. Information is communicated by the firm to or within the firm's network to fulfill their responsibilities relating to the network requirements. (Ref: par. A121)</p> <p>ii. Information is communicated externally when required by law, regulation, or professional standards or to support external parties' understanding of the system of quality management. (Ref: par. A122-A123)</p>							
Quality Objective #	Quality Risk #	Quality Risks: Information and communication	Likelihood	Impact	Quality Risk	Quality response #	Quality response (policy or procedure)
I&C QO-4	I&C QRI-51	Relevant and reliable information is not communicated to external parties. Irrelevant or unreliable information is communicated to external parties.			Yes	I&C QRe-2	Policy: The firm shares information about the firm's system of quality management externally only after the owner has reviewed for accuracy, relevance, and that sharing does not breach confidentiality requirements [specified response 35e].
I&C QO-4	I&C QRI-52	Information is not communicated by the firm to or within the firm's network or to service providers, if any, preventing the network or service providers from fulfilling their responsibilities relating to the network requirements or network services or resources provided by them.			Yes	I&C QRe-1.01	The owner communicates information to service providers necessary for them to fulfill their responsibilities.
I&C QO-4	I&C QRI-53	Information is not communicated externally when required by law, regulation, or professional standards, or to support external parties' understanding of the system of quality management.			Yes	I&C QRe-1	Policy: The firm communicates information about our system of quality management as prescribed by our policies and procedures with the following external parties, if requested [specified response 35e]: -management or those charged with governance of a potential new client, -external oversight authorities, or -other users of our firm engagement reports

Green - Low
Yellow - Medium
Red - Major

Monitoring and Remediation Process

Policy or procedure

Policy: The owner has a monitoring and remediation process designed to provide relevant, reliable, and timely information about the design, implementation, and operation of the SOQM and enable the firm to take appropriate actions to respond to identified deficiencies, so deficiencies are remediated on a timely basis. (QM sec. 10, par. .36)

Policy: The owner accepts operational responsibility for the firm's monitoring and remediation process. (QM sec. 10, par. .21c(ii))

The owner has the appropriate experience, knowledge, and sufficient time to fulfill the operational responsibility for the firm's monitoring and remediation process. (QM sec. 10, par. .22)

The owner considers the following factors and performs the following activities in determining that the firm's QM policies and procedures and its methodologies remain relevant and adequate.

- External factors
 - Changes in professional standards or other regulatory requirements applicable to the firm's practice
 - Changes in applicable AICPA membership requirements
- Internal indicators
 - Results of previous monitoring activities
 - Results of inspections and peer reviews
 - Review of litigation and regulatory enforcement actions against the firm and its personnel
 - Changes in firm operations and services
- Reviewing and determining that the firm's practice aids are current and reflect recent professional pronouncements and changes in the practice
- Reviewing CPE records to determine whether the classroom training and self-study programs used are appropriate for the firm's practice
- Reviewing CPE records to determine compliance with the requirements of the AICPA and other applicable regulatory agencies

Policy or procedure

Policy: The owner designs and performs monitoring activities that are sufficiently comprehensive to provide a basis for the identification of deficiencies. (QM sec. 10, par. .37)

The owner determines the nature, timing, and extent of the monitoring activities considering the following: (QM sec. 10, par. .38)

- The reasons for the assessments given to the quality risks
- The design of the responses
- The design of the firm's risk assessment process and monitoring and remediation process
- Changes in the SOQM
- The results of the firm's evaluations of each engagement

- The results of previous monitoring activities
- Other relevant information, including the results of both internal and external inspections

The owner maintains appropriate records that enable the owner to provide the owner peer reviewer with a complete list of engagements performed.

In accordance with the membership requirements of the AICPA Governmental Audit Quality Center, the engagement letter covering the firm's peer review will require that the governmental audits selected for review during the firm's peer review are reviewed by someone who is employed by a member firm of the respective center. Also, information relative to the firm's most recently accepted peer review is available to the public in accordance with the membership requirements of the respective centers.

The owner performs a post-issuance review of selected engagements at least annually during the inspection for compliance with the firm's policies and procedures. The selected engagements represent a reasonable cross-section of the firm's accounting and auditing practice using the following criteria:

- Engagements required to be selected during peer review (under Government Auditing Standards)
- Initial engagements
- The tenure and experience of engagement teams
- The types of engagements performed by the firm, and the extent of the firm's experience in performing the type of engagement
- An appropriate cross-section of the firm's auditing and accounting clients who have had negative results in the prior inspections or peer reviews
- The results of the firm's evaluations of commitment to quality
- Complaints or allegations about an engagement client

The selected engagements are reviewed for compliance with the firm's policies and procedures.

In addition to engagement inspection, the firm's monitoring activities include the following:

- Reviewing compliance with the firm's policies and procedures related to the risk assessment process; governance and leadership; relevant ethical responsibilities, including independence; acceptance and continuance of client relationships and specific engagements; engagement performance; resources (human, intellectual, and technological); and information and communication
- Reviewing all policies and procedures and revising those affected by changes in professional standards or the nature of my practice
- Inspecting documentation and contracts with the firm's service providers to evaluate if the firm complied with the relevant policies and procedures
- Checking and evaluating IT applications to evaluate if they are operating as intended and are fit for purpose

Policy: The owner will evaluate findings to determine whether deficiencies exist, including within the monitoring and remediation process. (QM sec. 10, par. .41)

The owner will evaluate the severity and pervasiveness of identified deficiencies, if any by: (QM sec. 10, par. .42)

- Investigating causes of the identified deficiencies.
- Evaluating the effect of the identified deficiencies, individually and in aggregate, on the SOQM.

The owner will address identified deficiencies that are responsive to the results of the cause analysis. (QM sec. 10, par. .43)

The owner evaluates whether the actions implemented to address previously identified deficiencies are effective. (QM sec. 10, par. .44)

If this evaluation indicates that the actions are not appropriately designed and implemented or are not effective, the owner will take action to determine that the actions are modified so they are effective. (QM sec. 10, par. .45)

When the results of monitoring activities (through firm monitoring, peer review or regulatory inspection) indicate that a report may be inappropriate or that procedures were omitted during the performance of the engagement, the owner: (QM sec. 10, par. .46)

- Determine what further action is appropriate to comply with relevant professional standards and applicable legal and regulatory requirements,
- Consider whether to obtain legal advice; and
- Take and document the appropriate action.

The owner will summarize on a timely basis, at least annually:

- A description of the monitoring activities performed;
- The identified deficiencies, including their severity and pervasiveness; and
- The actions to address the identified deficiencies. (QM sec. 10, par. .48)

The owner will evaluate and conclude one of the following on the effectiveness of the SOQM, at least annually: (QM sec. 10, par. .55)

- The system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved.
- Except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation, and operation of the system of quality management, the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved.
- The system of quality management does not provide the firm with reasonable assurance that the objectives of the system of quality management are being achieved.

If the owner concludes there are identified deficiencies or that the SOQM does not provide the firm with reasonable assurance that the objectives of the system of quality management are achieved, the owner will do the following: (QM sec. 10, par. .56)

- Take prompt and appropriate action
- Communicate to
 - Personnel to the extent that it is relevant to their responsibilities, and

- External parties in accordance with the firm's policies and procedures

Policy: The owner will prepare documentation of the SOQM that is sufficient to achieve the following: (QM sec. 10, par. .58)

- Support a consistent understanding of the SOQM by personnel, including an understanding of their roles and responsibilities with respect to the SOQM and performing engagements.
- Support the consistent implementation and operation of the responses.
- Provide evidence of the design, implementation, and operation of the responses to support my evaluation of the SOQM.

The documentation of the SOQM includes the following: (QM sec. 10, par. .59)

- Acknowledgement of the owner's responsibility for the SOQM
- The firm's quality objectives and quality risks
- A description of the responses and how the firm's responses address the quality risks
- Regarding the monitoring and remediation process
 - Evidence of the monitoring activities performed
 - The evaluation of findings, and identified deficiencies and their related root causes
 - Remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions
 - Communications about monitoring and remediation
- The conclusions reached based on the evaluation of the SOQM and the basis for that conclusion.

The owner will document the monitoring and remediation process of the SOQM. Documentation is provided through the firm's summary monitoring report, electronic databases, manual notes, checklists, and forms.

Documentation addresses the following:

- Evidence of the monitoring activities performed, including a description of the monitoring activities performed to review and test compliance with firm QM policies and procedures relating to all the components of quality management, such as
 - Review of the firm's professional library and practice aids to determine that they were appropriate and up to date, and
 - Interviews of a sample of personnel regarding the effectiveness of the firm's professional development programs
- The evaluation of findings, and identified deficiencies and their related root causes
- Recommended remedial actions that are designed to prevent the recurrence of the deficiency to address identified deficiencies and the evaluation of the design and implementation of such remedial actions
- Communications about monitoring and remediation
- The conclusions reached based on the evaluation of the system and the basis for that conclusion

Policy: The owner will retain documentation that provides evidence of the design, implementation, and operation of the SOQM for an appropriate period of time. (QM sec. 10, par. .61)

The owner will retain monitoring and remediation documentation for a period of time sufficient to allow those monitoring the SOQM, including peer reviewers, to evaluate compliance with the system. In the absence of other legal or regulatory requirements, the owner generally retains such documentation until the next peer review report has been completed.